

CITY OF LAKE STEVENS
Snohomish County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. City Officials Should Maintain Positive Cash Balances In All Funds

Our audit disclosed deficit (negative) cash balances during the year for the following city funds:

<u>Fund</u>	<u>Largest Deficit Balance</u>	<u>Month</u>	<u>Funding</u>
102 Arterial Street	(\$127,765)	October	TIA
104 Arterial Street	(\$403,111)	December	FHWA/TIA
314 Lake Restoration	(\$165,487)	December	DOE
315 Lake Restoration	(\$ 10,604)	June	DOE
317 ALEA Boardwalk	(\$ 8,720)	December	DNR

TIA = Washington State Transportation Improvement Account

FHWA = Federal Highway Administration

DOE = Washington State Department of Ecology

DNR = Washington State Department of Natural Resources

RCW 43.09.210 states in part:

... no department ... shall benefit in any financial manner whatever by
an appropriation or fund made for the support of another.

The deficit balances occurred in funds that are financed mainly through state and federal assistance. The city failed to request reimbursement for these projects in a timely manner.

Deficit balances represent unauthorized interfund loans, therefore the above funds have benefited from the financial resources of other solvent funds of the city.

We recommend that city officials comply with Washington State law and eliminate deficit cash balances by transacting authorized interfund loans and/or requesting grant reimbursement in a timely manner.

2. The City Police Must Obtain The Approval Or Consent Of The County Prosecutor In Order To Enter Into An Enforceable Agreement To Reduce Or Dismiss Charges Against A Criminal Defendant

In 1993, the city's police department arrested a juvenile for the use and possession of marijuana. Although a citation was properly issued to the suspect, the police department failed to communicate this arrest to the Snohomish County Prosecutor or the appropriate Snohomish County court. Instead, the police department independently worked out an arrangement with the suspect allowing him the following options:

- (1) Two \$250 donations to the city's Drug Investigation Fund
- (2) Face charges in court.

The suspect selected the first option. A contract was signed in which the police department and the suspect agreed that in exchange for the suspect's donations to the Drug Investigation Fund, the police department would not file charges with the Snohomish County Prosecutor. This contract was signed by the suspect, the suspect's parents, and members of the city's police department.

The county prosecutor is charged with prosecution of all criminal actions in which the state is a party [RCW 36.27.020(4)]. In a recent appellate case, *State v. Reed*, 75 Wn. App. 742, __ P.2d __ (1994), the court held that the police have no authority to make prosecutorial decisions or to enter into an enforceable agreement to reduce or dismiss charges against a criminal defendant without first obtaining the approval or consent of the county prosecutor.

We recommend that city police obtain the approval or consent of the county prosecutor prior to entering into any agreement to reduce or dismiss charges against a criminal defendant.

CITY OF LAKE STEVENS
Snohomish County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Federal Findings

1. City Officials Should Request Reimbursement From Granting Agencies In A Timely Manner

Our audit of the Arterial Street Fund (104) revealed that the city had failed to submit timely requests for reimbursement to the Federal Highway Administration. As a result, the city had not complied with the federal reporting requirements of the U.S. Office of Management and Budget's "Common Rule", affecting the following projects:

- 20th Street Bridge (Project M-2674(001))
- 124th Street Bridge (Project BRM-2660(002))

For the above projects, the last reimbursement request occurred on August 6, 1993, for expenditures incurred prior to May 1992. To date, there have been no reimbursements requested for subsequent expenditures. Remaining allowable expenditures for the two projects total \$200,536.

U.S. Office of Management and Budget's "Common Rule", Section .41, addresses the reporting requirements for recipients of federal grant moneys.

"Common Rule" Subsection .41(b)(3) states in part:

If the federal agency does not specify the frequency of the report, it will be submitted annually.

The frequency of submitting reimbursement requests was not covered in the grant agreement.

The city has failed to request reimbursement for 1992 and 1993 expenditures within the time frames specified by the federal reporting requirements of the "Common Rule."

We recommend that the city prepare requests for grant reimbursement in a timely manner in order to comply with the federal reporting requirements of the "Common Rule."